

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:

DIAMOND SPORTS GROUP, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 23-90116 (CML)
)
) (Jointly Administered)
)
) **Re: Docket No. 921**
) **Hearing Date: July 17, 2023 at 2:00 p.m. (CT)**

**LIMITED STATEMENT AND RESERVATION OF RIGHTS
OF DIRECTV, LLC AND CERTAIN AFFILIATES
REGARDING DEBTORS' EMERGENCY MOTION FOR ENTRY OF AN ORDER
(I) AUTHORIZING THE REJECTION OF THE DIAMONDBACKS AGREEMENT
EFFECTIVE AS OF JUNE 30, 2023 AND (II) GRANTING RELATED RELIEF**

DIRECTV, LLC and certain of its affiliates (collectively “**DIRECTV**”) file this limited statement and reservation of rights (“**Reservation**”) with respect to *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Rejection of the Diamondbacks Agreement Effective as of June 30, 2023 and (II) Granting Related Relief* (the “**Motion**”) [Docket No. 921] filed by the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”) and respectfully state as follows:

PRELIMINARY STATEMENT

1. DIRECTV, a customer and creditor of the Debtors,² does not object to the relief requested by the Motion *per se*, but files this reservation of rights to bring to the Court’s attention certain issues DIRECTV is facing (and other distributors may be facing) in light of this proposed rejection as the Court considers whether the Motion is in the best interests of the Debtors’

¹ A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.ra.kroll.com/DSG>. The Debtors’ service address for purposes of these chapter 11 cases is: c/o Diamond Sports Group, LLC, 3003 Exposition Blvd., Santa Monica, CA 90404.

² DIRECTV’s relationship with the Debtors is described below in more detail.

estates. Specifically, by rejecting their agreement with the Diamondbacks (the “**Diamondbacks Agreement**”), the Debtors are taking action that will make it impossible for them to perform as contemplated under their various distribution agreements with DIRECTV (the “**Distribution Agreements**”) providing for the distribution of Diamondbacks games to DIRECTV.

2. As a result of the Debtors’ actions, DIRECTV will have to obtain access to the Diamondbacks’ content from another source so that DIRECTV can continue to provide its subscribers access to those games; and the other source will expect payment in exchange for the Diamondbacks’ content. DIRECTV has notified the Debtors that it does not believe it should pay the Debtors for Diamondbacks content for the period following rejection. Otherwise, DIRECTV could be compelled to pay twice for the same content, a nonsensical and inequitable result. DIRECTV is hopeful that it can resolve this issue consensually with the Debtors, but if the parties cannot reach an acceptable arrangement, DIRECTV may seek this Court’s assistance with resolving this dispute.

BACKGROUND

3. DIRECTV, a multichannel video programming distributor (“**MVPD**”) with both satellite and internet protocol TV distribution platforms, is a major distributor of local sports content produced and licensed by the Debtors under the Distribution Agreements with the Debtors and certain non-debtor affiliates.³ DIRECTV also offers a virtual multichannel video programming distributor service (“**vMVPD**”), through which it also delivers the Debtors’ local sports content via the internet. *See Declaration of David F. DeVoe, Jr. in Support of Chapter 11 Petitions and First Day Motions* [Docket No. 26]. Through the various Distribution Agreements, DIRECTV acquired the non-exclusive right to distribute National Basketball Association,

³ The Distribution Agreements with the Debtors are all by and between DIRECTV and Debtor Diamond Sports Net, LLC, but DIRECTV understands that Diamond Sports Net, LLC may have partially assigned certain rights to its Debtor and non-debtor affiliates.

National Hockey League, and Major League Baseball (“**MLB**”) games broadcasted by various Debtor- and Debtor affiliate- owned regional sports networks (“**RSNs**”) to DIRECTV’s customers throughout the United States.

4. Historically, the Debtors have generated a majority of their annual revenue from distributing their RSNs through MVPDs and vMVPDs, such as DIRECTV, that serve as intermediaries between the Debtors and consumers. *See Debtors’ Emergency Motion for Entry of an Order (I) Authorizing the Debtors to Maintain and Administer Their Existing Customer Programs and Honor Certain Prepetition Obligations Related Thereto and (II) Granting Related Relief* [Docket No. 11].

5. As of the Petition Date, DIRECTV was the Debtors’ third largest creditor by virtue of amounts owed under the Distribution Agreements and related agreements. *See Voluntary Petition for Diamond Sports Group, LLC* [Docket No. 1]. Shortly after the Petition Date, the Debtors and DIRECTV entered into, and this Court approved, that certain *Stipulation and Agreed Order By and Among the Debtors and DIRECTV, LLC and Certain Affiliates Reserving and Protecting Certain Setoff Rights* [Docket No. 238] to preserve all rights with respect to such amounts (the “**Stipulation**”).

6. On June 22, 2023, the Debtors filed the Motion seeking authority to reject the Diamondbacks Agreement, under which the Debtors receive the exclusive right to telecast within a specified territory all local Diamondbacks games that are not selected for exclusive national telecast. The result of the Diamondbacks rejection is that the Debtors will no longer have access to Diamondbacks games. DIRECTV will be required to obtain that content from another source, most likely MLB, and will most likely have to pay for that content. Indeed, the MLB has already indicated to DIRECTV that it expects payment for any content the MLB steps in to provide.

7. In light of these issues, on July 12, 2023, DIRECTV sent a letter to the Debtors notifying Debtors that it seeks a license fee reduction under the Distribution Agreements as a result of (i) the Debtors' plans to reject the Diamondbacks Agreement and (ii) pressure by MLB for payment from DIRECTV for the delivery of games via MLB in lieu of the Debtors' RSN. DIRECTV noted that if the payment terms under the applicable Distribution Agreements are not properly revised or this issue otherwise addressed, DIRECTV will be prejudiced by having to pay twice for the same content – content to which the Debtors are intentionally giving up their rights. This inequitable result could be exacerbated by any further rejections during these chapter 11 cases.

RESERVATION OF RIGHTS

8. DIRECTV hopes to have productive negotiations with the Debtors concerning fee reductions for such lost content and resolve matters consensually in the ordinary course of business, particularly as the parties commence contract renewal discussions. However, in the event that such matters are not resolved consensually, DIRECTV reserves (i) any and all rights, remedies, causes of action, and defenses under the applicable agreements and Stipulation, in equity or otherwise, and (ii) the right to seek appropriate relief through this Court to address the inequity of DIRECTV continuing to pay the Debtors for content that the Debtors cannot provide, as a result of their own actions, and simultaneously having to pay a third party to provide that same content.

Dated: July 13, 2023
Houston, Texas

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Certificate of Service

I hereby certify that, on July 13, 2023, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Gabriel A. Morgan

Gabriel A. Morgan